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CHAPTER 11
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INTRODUCED BY Assembly Member Levine
(Coauthor: Senator Kehoe)

MARCH 1, 2007

An act to amend Section 2851 of the Public Utilities Code, relating to energy, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 1714, Levine. Energy: **solar** energy systems.
Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations. A decision of the PUC adopted the California **Solar** Initiative. Existing law requires the PUC to undertake certain steps in implementing the California **Solar** Initiative, including requiring time-variant pricing for all ratepayers with a **solar** energy system, as defined.
This bill would authorize the PUC to delay implementation of time-variant pricing for ratepayers with a **solar** energy system, until the effective date of the rates established in the next general rate case of the state's 3 largest electrical corporations. If the commission delays implementation of time-variant pricing, the bill would require that ratepayers required to take service under time-variant pricing between January 1, 2007, and January 1, 2008, and that would otherwise qualify for flat rate pricing, be given the option to take service under flat rate or time-variant pricing.
This bill would declare that it is to take effect immediately as an urgency statute.

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This bill would declare that it is to take effect immediately as an urgency statute.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 2851 of the Public Utilities Code is amended to read:

2851. (a) In implementing the California **Solar** Initiative, the commission shall do all of the following:

(1) The commission shall authorize the award of monetary incentives for up to the first megawatt of alternating current generated by **solar** energy systems that meet the eligibility criteria established by the State Energy Resources Conservation and Development Commission pursuant to Chapter 8.8 (commencing with Section 25780) of Division 15 of the Public Resources Code. The commission shall determine the eligibility of a **solar** energy system, as defined in Section 25781 of the Public Resources Code, to receive monetary incentives until the time the State Energy Resources Conservation and Development Commission establishes eligibility criteria pursuant to Section 25782. Monetary incentives shall not be awarded for **solar** energy systems that do not meet the eligibility criteria. The incentive level authorized by the commission shall decline each year following implementation of the California **Solar** Initiative, at a rate of no less than an average of 7 percent per year, and shall be zero as of December 31, 2016. The commission shall adopt and publish a schedule of declining incentive levels no less than 30 days in advance of the first decline in incentive levels. The commission may develop incentives based upon the output of electricity from the system, provided those incentives are consistent with the declining incentive levels of this paragraph and the incentives apply to only the first megawatt of electricity generated by the system.

(2) The commission shall adopt a performance-based incentive program so that by January 1, 2008, 100 percent of incentives for **solar** energy systems of 100 kilowatts or greater and at least 50 percent of incentives for **solar** energy systems of 30 kilowatts or greater are earned based on the actual electrical output of the **solar** energy systems. The commission shall encourage, and may require, performance-based incentives for **solar** energy systems of less than 30 kilowatts. Performance-based incentives shall decline at a rate of no less than an average of 7 percent per year. In developing the performance-based incentives, the commission may:

(A) Apply performance-based incentives only to customer classes designated by the commission.

(B) Design the performance-based incentives so that customers may receive a higher level of incentives than under incentives based on installed electrical capacity.

(C) Develop financing options that help offset the installation costs of the **solar** energy system, provided that this financing is ultimately repaid in full by the consumer or through the application of the performance-based rebates.

(3) By January 1, 2008, the commission, in consultation with the State Energy Resources Conservation and Development Commission, shall require reasonable and cost-effective energy efficiency improvements in existing buildings as a condition of providing incentives for eligible **solar** energy systems, with appropriate exemptions or limitations to accommodate the limited financial resources of low-income residential housing.

(4) (A) Notwithstanding subdivision (g) of Section 2827, the commission shall require time-variant pricing for all ratepayers with a **solar** energy system. The commission shall develop a time-variant tariff that creates the maximum incentive for ratepayers to install **solar** energy systems so that the system's peak electricity production coincides with California's peak electricity demands and that assures that ratepayers receive due value for their contribution to the purchase of **solar** energy systems and customers with **solar** energy systems continue to have an incentive to use electricity efficiently. In developing the time-variant tariff, the commission may exclude customers participating in the tariff from the rate cap for residential customers for existing baseline quantities or usage by those customers of up to 130 percent of existing baseline quantities, as required by Section 80110 of the Water Code. Nothing in this

paragraph authorizes the commission to require time-variant pricing for ratepayers without a **solar** energy system.

(B) The commission may delay implementation of time-variant pricing pursuant to subparagraph (A), until the effective date of the rates subject to the next general rate case of the state's three largest electrical corporations, scheduled to be completed after January 1, 2009.

(C) If the commission delays implementation of time-variant pricing pursuant to subparagraph (B), ratepayers required to take service under time-variant pricing between January 1, 2007, and January 1, 2008, shall be given the option to take service under flat rate or time-variant pricing and shall be credited any difference between the time-variant rate and the otherwise applicable flat rate, provided there is a flat rate pricing schedule for which the ratepayer would qualify if the ratepayer had not installed the **solar** energy system.

(b) Notwithstanding subdivision (a), in implementing the California **Solar** Initiative, the commission may authorize the award of monetary incentives for **solar** thermal and **solar** water heating devices, in a total amount up to one hundred million eight hundred thousand dollars ($100,800,000).

(c) (1) In implementing the California **Solar** Initiative, the commission shall not allocate more than fifty million dollars ($50,000,000) to research, development, and demonstration that explores **solar** technologies and other distributed generation technologies that employ or could employ **solar** energy for generation or storage of electricity or to offset natural gas usage. Any program that allocates additional moneys to research, development, and demonstration shall be developed in collaboration with the Energy Commission to ensure there is no duplication of efforts, and adopted by the commission through a rulemaking or other appropriate public proceeding. Any grant awarded by the commission for research, development, and demonstration shall be approved by the full commission at a public meeting. This subdivision does not prohibit the commission from continuing to allocate moneys to research, development, and demonstration pursuant to the self-generation incentive program for distributed generation resources originally established pursuant to Chapter 329 of the Statutes of 2000, as modified pursuant to Section 379.6.

(2) The Legislature finds and declares that a program that provides a stable source of monetary incentives for eligible **solar** energy systems will encourage private investment sufficient to make **solar** technologies cost effective.

(3) On or before June 30, 2009, and by June 30th of every year thereafter, the commission shall submit to the Legislature an assessment of the success of the California **Solar** Initiative program. That assessment shall include the number of residential and commercial sites that have installed **solar** thermal devices for which an award was made pursuant to subdivision (b) and the dollar value of the award, the number of residential and commercial sites that have installed **solar** energy systems, the electrical generating capacity of the installed **solar** energy systems, the cost of the program, total electrical system benefits, including the effect on electrical service rates, environmental benefits, how the program affects the operation and reliability of the electrical grid, how the program has affected peak demand for electricity, the progress made toward reaching the goals of the program, whether the program is on schedule to meet the program goals, and recommendations for improving the program to meet its goals. If the commission allocates additional moneys to research, development, and demonstration that explores **solar** technologies and other distributed generation technologies pursuant to paragraph (1), the commission shall include in the assessment submitted to the Legislature, a description of the program, a summary of each award made or project funded pursuant to the program, including the intended purposes to be achieved by the particular award or project, and the results of each award or project.

(d) (1) The commission shall not impose any charge upon the consumption of natural gas, or upon natural gas ratepayers, to fund the California **Solar** Initiative.

(2) Notwithstanding any other provision of law, any charge imposed to fund the program adopted and implemented pursuant to this section shall be imposed upon all customers not participating in the California Alternate Rates for Energy (CARE) or family electric rate assistance (FERA) programs as provided in paragraph (2), including those residential customers subject to the rate cap required by Section 80110 of the Water Code for existing baseline quantities or usage up to 130 percent of existing baseline quantities of electricity.

(3) The costs of the program adopted and implemented pursuant to this section may not be recovered from customers participating in the California Alternate Rates for Energy or CARE program established pursuant to Section 739.1, except to the extent that program costs are recovered out of the nonbypassable system benefits charge authorized pursuant to Section 399.8.

(e) In implementing the California **Solar** Initiative, the commission shall ensure that the total cost over the duration of the program does not exceed three billion three hundred fifty million eight hundred thousand dollars ($3,350,800,000). The financial components of the California **Solar** Initiative shall consist of the following:

(1) Programs under the supervision of the commission funded by charges collected from customers of San Diego Gas and Electric Company, Southern California Edison Company, and Pacific Gas and Electric Company. The total cost over the duration of these programs shall not exceed two billion one hundred sixty-six million eight hundred thousand dollars ($2,166,800,000) and includes moneys collected directly into a tracking account for support of the California **Solar** Initiative and moneys collected into other accounts that are used to further the goals of the California **Solar** Initiative.

(2) Programs adopted, implemented, and financed in the amount of seven hundred eighty-four million dollars ($784,000,000), by charges collected by local publicly owned electric utilities pursuant to Section 387.5. Nothing in this subdivision shall give the commission power and jurisdiction with respect to a local publicly owned electric utility or its customers.

(3) Programs for the installation of **solar** energy systems on new construction, administered by the State Energy Resources Conservation and Development Commission pursuant to Chapter 8.6 (commencing with Section 25740) of Division 15 of the Public Resources Code, and funded by nonbypassable charges in the amount of four hundred million dollars ($400,000,000), collected from customers of San Diego Gas and Electric Company, Southern California Edison Company, and Pacific Gas and Electric Company pursuant to Article 15 (commencing with Section 399).

SEC. 2. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to ensure that the goals of the California **Solar** Initiative are met and to avoid harm to the California **solar** industry, it is necessary that this act take effect immediately.

SECTION 1. Section 2851 of the Public Utilities Code is amended to read:

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monetary incentives until the time the State Energy Resources Conservation and Development Commission establishes eligibility criteria pursuant to Section 25782. Monetary incentives shall not be awarded for **solar** energy systems that do not meet the eligibility criteria. The incentive level authorized by the commission shall decline each year following implementation of the California **Solar** Initiative, at a rate of no less than an average of 7 percent per year, and shall be zero as of December 31, 2016. The commission shall adopt and publish a schedule of declining incentive levels no less than 30 days in advance of the first decline in incentive levels. The commission may develop incentives based upon the output of electricity from the system, provided those incentives are consistent with the declining incentive levels of this paragraph and the incentives apply to only the first megawatt of electricity generated by the system.

(2) The commission shall adopt a performance-based incentive program so that by January 1, 2008, 100 percent of incentives for **solar** energy systems of 100 kilowatts or greater and at least 50 percent of incentives for **solar** energy systems of 30 kilowatts or greater are earned based on the actual electrical output of the **solar** energy systems. The commission shall encourage, and may require, performance-based incentives for **solar** energy systems of less than 30 kilowatts. Performance-based incentives shall decline at a rate of no less than an average of 7 percent per year. In developing the performance-based incentives, the commission may:

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(3) By January 1, 2008, the commission, in consultation with the State Energy Resources Conservation and Development Commission, shall require reasonable and cost-effective energy efficiency improvements in existing buildings as a condition of providing incentives for eligible **solar** energy systems, with appropriate exemptions or limitations to accommodate the limited financial resources of low-income residential housing.

(4) (A) Notwithstanding subdivision (g) of Section 2827, the commission shall require time-variant pricing for all ratepayers with a **solar** energy system. The commission shall develop a time-variant tariff that creates the maximum incentive for ratepayers to install **solar** energy systems so that the system's peak electricity production coincides with California's peak electricity demands and that assures that ratepayers receive due value for their contribution to the purchase of **solar** energy systems and customers with **solar** energy systems continue to have an incentive to use electricity efficiently. In developing the time-variant tariff, the commission may exclude customers participating in the tariff from the rate cap for residential customers for existing baseline quantities or usage by those customers of up to 130 percent of existing baseline quantities, as required by Section 80110 of the Water Code. Nothing in this paragraph authorizes the commission to require time-variant pricing for ratepayers without a **solar** energy system.

(B) The commission may delay implementation of time-variant pricing pursuant to subparagraph (A), until the effective date of the rates subject to the next general rate case of the state's three largest electrical corporations, scheduled to be completed after January 1, 2009.

(C) If the commission delays implementation of time-variant pricing pursuant to subparagraph (B), ratepayers required to take service under time-variant pricing between January 1, 2007, and January 1, 2008, shall be given the option to take service under flat rate or time-variant pricing and shall be credited any difference between the time-variant rate and the otherwise applicable flat rate, provided there is a flat rate pricing schedule for which the ratepayer would qualify if the ratepayer had not installed the **solar** energy system.

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